



STATE BOARD OF LAND COMMISSIONERS

Dirk Kempthorne, Governor and President of the Board

Ben Ysursa, Secretary of State

Lawrence G. Wasden, Attorney General

Keith L. Johnson, State Controller

Marilyn Howard, Superintendent of Public Instruction

Winston A Wiggins, Secretary to the Board

Final Minutes Regular Land Board Meeting February 8, 2005

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, February 8, 2005 in Boise, Idaho. The meeting began at 8:59 a.m. in the second floor courtroom of the Borah Post Office Building. The Honorable Dirk Kempthorne presided. The following members were present:

Honorable Secretary of State Ben Ysursa
Honorable Attorney General Lawrence G. Wasden
Honorable State Controller Keith L. Johnson
Honorable Superintendent of Public Instruction Marilyn Howard

Secretary to the Board Winston A Wiggins

Governor Kempthorne commented this is the first Land Board meeting to be held in the Borah Post Office building. Through a deed from the federal government, the building is now a state building. He believes the building provides tremendous opportunities. He also noted that when he was a member of the United States Senate, his office was on the third floor.

Attorney General Wasden added that he has had the privilege of appearing in this courtroom on behalf of his clients so it was a privilege for him to return to the room on this occasion.

Before beginning the meeting, Governor Kempthorne noted that the Department of Lands has new employees in attendance at today's meeting. He asked Director Wiggins to acknowledge those employees.

Director Wiggins stated the Department brings new employees from all areas of the state to Boise to give them an opportunity to see the Land Board in action and to orient them to the Department. He asked the employees to stand and introduce themselves.

New IDL Employees:

- Kathy Opp, Administrator, Division of Support Services, [Director's Office, Boise](#)
- Kurt Naccarato, Hazardous Fuels Treatment Specialist, [Coeur d'Alene Staff Office](#)
- Danny Hobbs, Scaler, [Ponderosa Supervisory Area, Deary](#)
- Pete Van Sickel, Lands Resource Program Manager-Forest, [Coeur d'Alene Staff Office](#)
- Gary Darrington, Fire Warden, [Cataldo Supervisory Area, Kingston](#)

- Bonnie Reagan, Administrative Assistant I, Grazing/Cropland Program, [Director's Office, Boise](#)
- James Kibler, Resource Manager-Sr., Forest, [Kootenai Valley Supervisory Area, Bonners Ferry](#)
- Erik Kriwox, Resource Manager-Range, [South Central Supervisory Area, Gooding](#)
- Kjell Truesdell, Assistant Fire Warden, [Cataldo Supervisory Area, Kingston](#)
- Bridgett Cafferty, Forester, [Clearwater Supervisory Area, Orofino](#)
- Eric Pardue, Assistant Fire Warden, [St. Joe Supervisory Area, St. Maries](#)

Governor Kempthorne welcomed the new IDL employees. He commented he is a former employee of the Department of Lands. He began as an Administrative Assistant in the Bureau of Mines and Geology in Moscow. He then transferred to Boise and was the Executive Assistant to then Director Gordon Trombley. Governor Kempthorne commented Director Trombley was a truly outstanding individual and one of the finest public servants ever. He noted it is very interesting how circumstances occur. The office he occupied when he worked for the Department of Lands some 20 years later was his office for transition when he became Governor-elect.

Governor Kempthorne stated the Department of Lands is an outstanding Department to work for and public service is a wonderful calling as we serve our fellow citizens.

• **CONSENT**

Director Wiggins provided background information on the Consent Agenda items.

A motion was made by Controller Johnson to approve the Consent Agenda with item number three deferred for one month and item number eleven moved to the regular agenda. Attorney General Wasden seconded the motion. The motion carried on a vote of 5-0.

1. Director's Report – approved

- A. Interest Rate on Department Transactions – December 2004
- B. Bureau of Real Estate, Land Sale Section, Official Transactions – November – December 2004
- C. Bureau of Real Estate, Easement Section, Official Transactions – November – December 2004
- D. Bureau of Surface and Mineral Resources, Official Transactions – November 2004
- E. Timber Sale Official Transactions – December 1, 2004 through December 28, 2004
- F. Timber Sale Activity Report – December 2004 – January 2005
- G. Legal Matter Summary

2. Timber Sales – Staffed by Bob Helmer, Chief, Bureau of Forest Management – approved

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|-----------------|------------|-----------|----------|
| A. Capitol Dome | CR-31-0003 | 6,400 MBF | Shoshone |
| B. Bogus | CR-50-0111 | 3,425 MBF | Valley |

DISCUSSION: Director Wiggins noted sale A, Capitol Dome, contains a couple of clearcuts. He stated these are situations where there are no other options to get the stands restocked and growing. The clearcuts are within Board policy, meet Forest Practices guidelines and are silviculturally justified.

3. Request for Final Approval to Sell Mountain Home 40 in Elmore County – Staffed by Perry Whittaker, Chief, Bureau of Real Estate – Deferred One Month

DEPARTMENT RECOMMENDATION: Direct the Department to advertise and sell the four 10-acre parcels, without reservation of minerals, at public auction based on a minimum bid of \$21,000 per lot, with proceeds to be deposited in the Land Bank for future acquisition of real property.

DISCUSSION: Attorney General Wasden commented in looking at the maps, it appears this parcel is immediately south of the Mountain Home airport. He asked about long-term uses of the land and the disposition of the mineral rights associated with the parcel. Director Wiggins stated the long-term use would be residential. The ground is slowly being encroached on by residences from Mountain Home and the surrounding area. Currently the land is managed for agricultural use at a low rental. It is completely isolated with no other state land nearby. As to the mineral rights, Assistant Director Denise Mills stated she does not believe the Department is opposed to the transfer of mineral rights with the sale of the property. Director Wiggins added he believes this would be a situation where it is appropriate to dispose of the mineral rights.

Attorney General Wasden asked if the Department considered whether there would be a value increase in selling the parcel at a later date when the encroachment would be greater and the demand for the property would increase. Director Wiggins responded those evaluations were completed before the parcel was added to the Land Sale Plan. Decisions such as these are a balancing act. If the Department held the property longer, the expectation would be that the property would increase in value. However, how much that increase would be is difficult to determine. In the meantime, the Department would be holding the parcel with essentially no revenue generated in the interim.

Attorney General Wasden asked what kind of costs are currently associated with maintaining this parcel other than the potential loss of revenue in the early years. Director Wiggins stated the cost associated with retaining an under-producing asset is the opportunity costs of applying the value somewhere else and getting an asset that does, in fact, perform. By sitting on this, the value will increase. However, in the meantime, if the Department could dispose of the property and use the money to acquire another piece of property elsewhere that did produce a reasonable revenue, then we would be money ahead.

Governor Kempthorne asked if the proximity of the Mountain Home Air Force base is in any way a factor as far as the flight path is concerned. He stated he is always cognizant of encroachments that might impact the enhanced training range. Director Wiggins responded that this parcel is not immediately adjacent to the air base. The air base runways are primarily north-south. This parcel is to the east of that flight path. Homes are currently starting to appear in the general vicinity. At this time, structures pretty much surround the parcel.

Governor Kempthorne asked if there would be any problem with this agenda item being deferred for one month while the Department gathers additional information to affirm that this sale does not impact the current and future use of the air base. Director Wiggins stated there would be no problem with deferring this agenda item. Governor Kempthorne commented he would appreciate deferring this item because it would then be included as a part of the record. As future parcels are considered, it would become part of our second nature to look at any impact to the Mountain Home Air Force base.

Attorney General Wasden stated he would also like to have an analysis of the questions he has asked with regard to holding the property and what the potential return may be versus the cost associated, including the opportunity cost. He would like to see that kind of analysis so he feels comfortable that now is the time that this parcel should be sold.

BOARD ACTION: This agenda item was deferred for one month.

4. Request for Final Approval of the Rocky Canyon State of Idaho/BLM Land Exchange – Staffed by Perry Whittaker, Chief, Bureau of Real Estate – approved

DEPARTMENT RECOMMENDATION: Direct the Department to complete the proposed land exchange by transferring 730.32 acres, more or less, of state land in Rocky Canyon to the BLM and balance the transaction with a payment to the BLM of \$25,000 of Land Bank funds.

BOARD ACTION: Approved.

5. Application for Amendment of Dredge/Placer Permit No. 317, Emerald Creek Garnet, Ltd. – Staffed by Sharon Murray, Program Manager, Minerals – approved

DEPARTMENT RECOMMENDATION: Approve issuance of the permit subject to adherence to the plan submitted in the application, submission of the required bond and compliance with the Rules and Regulations Governing Dredge and Placer Mining Operations in Idaho.

BOARD ACTION: Approved.

6. Application for Amendment of Dredge/Placer Permit No. 318, Emerald Creek Garnet, Ltd. – Staffed by Sharon Murray, Program Manager, Minerals – approved

DEPARTMENT RECOMMENDATION: Approve issuance of the permit subject to adherence to the plan submitted in the application, submission of the required bond and compliance with the Rules and Regulations Governing Dredge and Placer Mining Operations in Idaho.

BOARD ACTION: Approved.

7. Application for Amendment of Dredge/Placer Permit No. 322, Emerald Creek Garnet, Ltd. – Staffed by Sharon Murray, Program Manager, Minerals – approved

DEPARTMENT RECOMMENDATION: Approve issuance of the permit subject to adherence to the plan submitted in the application, submission of the required bond and compliance with the Rules and Regulations Governing Dredge and Placer Mining Operations in Idaho.

BOARD ACTION: Approved.

8. Application for Dredge/Placer Permit No. 326, Emerald Creek Garnet, Ltd. – Staffed by Sharon Murray, Program Manager, Minerals – approved

DEPARTMENT RECOMMENDATION: Approve issuance of the draft permit subject to adherence to the plan submitted in the application, submission of the required \$10,000 bond and compliance with the Rules and Regulations Governing Dredge and Placer Mining Operations in Idaho.

BOARD ACTION: Approved.

9. Application for Dredge/Placer Permit No. 327, Emerald Creek Garnet, Ltd. – Staffed by Sharon Murray, Program Manager, Minerals – approved

DEPARTMENT RECOMMENDATION: Approve issuance of the draft permit subject to adherence to the plan submitted in the application, submission of the required \$10,000 bond and compliance with the Rules and Regulations Governing Dredge and Placer Mining Operations in Idaho.

BOARD ACTION: Approved.

10. Disclaimer of Interest Request from Simplot Livestock Company for Former Riverbed of the Boise River located in Canyon County – Staffed by Dan Spanfelner, Bureau of Real Estate – approved

DEPARTMENT RECOMMENDATION: Direct the Department to issue a Disclaimer of Interest for six parcels of land totaling 15.07 acres of the former bed of the Boise River and to require Simplot Livestock Co. to pay a fee of \$600.00 to the Department of Lands for this transaction.

BOARD ACTION: Approved.

11. Appeal of Director's Decision Concerning Auction for Grazing Lease G-9010 – Staffed by Tracy Behrens, Program Manager, Range – Moved to the Regular Agenda

DEPARTMENT RECOMMENDATION: That the Board reject the appeal filed by Roy Laird Ranches, accept the high bid of \$41,000 submitted by Cottle Farms for grazing lease G-9010 and direct the Department to issue a new 10-year grazing lease to Cottle Farms. The new lease will include a summary of the grazing management proposal submitted by Cottle Farms and accepted by the Department.

DISCUSSION: Transcript available upon request. Contact Susan Terry at (208) 334-0242.

BOARD ACTION: A motion was made by Attorney General Wasden to hold this agenda item over until the March 8, 2005 Land Board meeting. Each party will have one week from today to submit additional materials to the Department for consideration. Upon receipt of the additional information, the Department will review and respond to the objections raised in Mr. Wagoner's meeting handout with a copy of the response provided to each Land Board member for their consideration prior to the next meeting. Secretary of State Ysursa seconded the motion. The motion carried on a vote of 5-0.

12. Minutes – approved

A. Regular Land Board Meeting – December 14, 2004 Regular Land Board Meeting

• **REGULAR**

13. Endowment Fund Investment Board Manager's Report – Staffed by Matthew Haertzen, CFA, Manager of Investments, EFIB

Governor Kempthorne introduced Matt Haertzen, Manager of Investments for the Endowment Fund Investment Board. Each month Mr. Haertzen provides a status report for the Board.

Mr. Haertzen stated it has been a solid year for the State of Idaho investment pools, both the Endowment Fund and the State retirement system. Calendar year to date the endowment is basically flat through early February. With a few exceptions, the managers have performed well.

A historical view of the market shows that a new bull market is usually very strong for the first couple of years. The third year has a fifty-fifty shot at positive or negative, and then the fourth

year tends to be weighted toward negative. For about two and a half years we have had very strong positive markets. Therefore, looking again at history, we are taking a very conservative tact. We do not expect the markets to continue to run at the current ten-plus percent rate that we have seen over the last couple of years.

Controller Johnson asked Mr. Haertzen for an update on the status of the earnings reserve funds mentioned in prior meetings with the Endowment Fund Investment Board. Mr. Haertzen stated the EFIB is continuing to work on that matter.

At 10:18 a.m. a motion was made by Attorney General Wasden to resolve into Executive Session. Controller Johnson seconded the motion. The motion carried on a vote of 5-0.

• **EXECUTIVE SESSION**

A. To Consider Records that are Exempt from Disclosure [[Idaho Code § 67-2345\(1\)\(d\)](#)]

B. To Consider and Advise Its Legal Representatives in Pending Litigation or Where There is a General Public Awareness of Probable Litigation [[Idaho Code § 67-2345\(1\)\(f\)](#)]

C. To Consider Personnel Matters [[Idaho Code § 67-2345\(1\)\(b\)](#)]

Upon unanimous consent, the Board resolved into Regular Session at 11:26 a.m. There being no further business to come before the Board, the meeting adjourned at 11:30 a.m.

IDAHO STATE BOARD OF LAND COMMISSIONERS

/s/ Dirk Kempthorne

President, State Board of Land Commissioners and
Governor of the State of Idaho

/s/ Ben Ysursa

Ben Ysursa
Secretary of State

/s/ Winston A Wiggins

Winston A Wiggins
Director

<p>The above-listed final minutes were approved by the State Board of Land Commissioners at the March 8, 2005 regular Land Board meeting.</p>
